

Message Text

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51

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 INRE-00 SSO-00 NSCE-00 SPC-03

AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20

STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-04

PRS-01 USIE-00 ABF-01 DRC-01 /155 W

----- 004023

O R 151529Z NOV 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC IMMEDIATE 1012

INFO AMEMBASSY BONN

USEC BRUSSELS 580

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

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E.O. 11652 N/A

TAGS: EFIN SW

SUBJECT: PRESSURE ON SWEDISH KRONA RAISES POSSIBILITY OF
REVALUATION

REF: STOCKHOLM'S A-407

1. SWEDISH RADIO NEWSCAST NOON NOVEMBER 15 REPORTED THAT SPEC-
ULATIVE PRESSURE HAD BEEN EXERTED DURING MORNING OF SAME DAY
AGAINST BOTH SWEDISH AND DANISH CURRENCIES FOLLOWING NORWEGIAN
DECISION TO CLOSE ITS FOREIGN EXCHANGE MARKET NOVEMBER
15-16. REPORT ALSO STATED THAT CENTRAL BANKS ON EUROPEAN CON-
TINENT AS WELL AS SWEDISH RIKSBANK HAD SOLD SWEDISH KRONOR TO
HOLD RATE WITHIN EC SNAKE. NEW SWEDISH RIKSBANK GOVERNOR KRISTER
WICKMAN WAS QUOTED IN NEWSCAST AS SAYING THAT COUNTRY HAD NO
INTENTION OF ALTERING RATE OF EXCHANGE OF KRONA AGAINST
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OTHER CURRENCIES, REGARDLESS OF WHAT NORWAY MIGHT DO.

2. EMBASSY CONTACT IN SVENSKA HANDELSBANKEN ACKNOWLEDGED A "CERTAIN" PRESSURE AGAINST THE KRONA THIS MORNING, BUT HE SAID THAT IT HAD NOT BEEN EXCESSIVE. TELEGRAPHIC KRONA/US DOLLAR RATE, FOR EXAMPLE, FELL TODAY IN STOCKHOLM TO 4.33/1 FROM 4.365/1 YESTERDAY.

3. BOTH SVENSKA HANDELSBANKEN AND SKANDINAVISKA ENSKILDA BANKEN (SE BANK) CONTACTS THOUGHT REAL POSSIBILITY EXISTED THAT SWEDISH KRONA MIGHT HAVE TO BE REVALUED IF NORWEGIAN CROWN APPRECIATES. TALK AROUND SVENSKA HANDELSBANKEN IS THAT A 10-PERCENT REVALUATION OF NORWEGIAN CROWN MIGHT RESULT IN ABOUT A 5 PERCENT SWEDISH REVALUATION. SE BANK CONTACT SAID TALK THERE WAS THAT IF NORWEGIAN CROWN SHOULD BE REVALUED TOMORROW, SWEDISH FOREIGN EXCHANGE MARKET WOULD PROBABLY BE CLOSED DOWN. LONG WEEKEND WOULD GIVE TIME TO WORK OUT QUESTION OF WHETHER THERE SHOULD BE SPLIT OR JOINT ACTION AMONG NORDIC COUNTRIES.

4. COMMENT: EMBASSY CANNOT RULE OUT POSSIBILITY OF REVALUATION OF SWEDISH KRONA. SEVERAL PROMINENT SWEDISH ECONOMISTS HAVE RECENTLY CALLED FOR REVALUATION OF SKR AS ANTI-INFLATION MOVE (SEE A-407.) SE BANK OFFICER THOUGHT RIKSBANK MIGHT BE FORCED TO REVALUE SWEDISH KRONA, IF NORWAY REVALUES, IN ORDER TO PUT DOWN SPECULATION PRESSURES. THOUGHT OF REVALUATION, REVALUATION, MOREOVER, MIGHT NOT BE ALTOGETHER UNATTRACTIVE TO GOS, DESPITE SWEDEN'S HEAVY DEPENDENCE ON EXPORTS FOR ITS PROSPERITY. REVALUATION WOULD, OF COURSE, CHEAPEN COST OF OIL IMPORTS, WHICH HAS DOUBLED SO FAR DURING 1973, AND RESTRAIN DEMANDS FOR WAGE INCREASES IN COMING WAGE NEGOTIATIONS. FINALLY, STRONG SWEDISH RESERVES AND BALANCE OF PAYMENTS SURPLUS WEAKEN ARGUMENT OF THOSE IN GOVERNMENT AND RIKSBANK WHO HAVE OPPOSED REVALUATION ON GROUNDS KRONA IS NOT AS STRONG AS IT APPEARS.
OLSEN

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Disposition Approved on Date:
Disposition Authority: morefirh
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Disposition Date: 28 MAY 2004
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Disposition Reason:
Disposition Remarks:
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